RICHARD RUSSELL'S DOW THEORY LETTERS INCORPORATED

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Nov. 17, 1999 LETTER 1291

CONCENTRATION: The real strength of the market has resided in the Nasdaq. And the real power of the Nasdaq resides in four stocks -- Microsoft, Intel, Cisco and Worldcom. These four stocks comprise a huge 25.6% of the entire value of the Nasdaq. Add three more stocks -- Dell, Oracle and Sun Microsystems and you're talking about 32.8% of the total value of the Nasdaq.

SENTIMENT: The stock market has taken on a casino-like atmosphere. The hype is deafening. The speculation is frantic. A day-long stay on CNBC serves to document the mood. Never before in history have we seen the nation glued to a 24-hour source of stock market action, commentary, serious talk, hype and opinion. On CNBC we see and hear a parade of "experts" from dawn to dawn. Many of these experts inform us that we are indeed in a "new world" of wonder technology, and that all the old rules of valuations have changed and should therefore be jettisoned. The key to the new world, we are told, is perpetual growth driven by the Internet and the new technology, plus the rise of the new medicine (gene therapy), new science, new technology and a prescient Fed led by a latter-day god named Greenspan. The spiel goes on, with endless examination of every minute fact of the economy and the market. The Big Picture is lost in a 24-hour blizzard of words.

In the above description, I'm not being facetious, I'm honestly attempting to describe the current atmosphere and sentiment. And it's as wild and wooly and speculative as it's been at any time in market history.

THE MARKET PICTURE: On Friday, November 12, the Transports belatedly confirmed the Industrials by rallying above their October 8 peak of 3081.71. I'm always a bit suspicious of these late or "last minute" confirmations since I have seen so many of them that have turned out to be traps. However, I don't want to be too cute about it, so we'll call it a definite confirmation, but one that we're entitled to be very careful of. Also a bit strange that the strength was not followed up on Monday, November 15.

I want to present a much larger picture of the state of the Averages, and I have done this via the chart at the bottom of page 2. Here we see that both Averages have now bettered their preceding October 8 peaks. Normally, this kind of move should call for higher prices. Higher prices would put the Industrials in position for a try to their August 25 record high of 11326.04.

But here again there are problems, the most obvious being that even if the Dow was to advance to a new high, the Transports would be far from confirming and the advance-decline ratio would probably be only a few points from its bear market low.

Nov. 5 DJIA 10704.48; PTI 5243; A-D Ratio -2.42
Nov. 12 DJIA 10769.01; PTI 5240; A-D Ratio -2.72
Dow Yield: 1.37%; Dow Price/Earnings: 23.3
Dow 144-day MA: 10519; Dow 34-day MA: 10575
Dow Times Book Value: 6.37; PTI 89-day exp. MA: 5281
Percentage of Undervalued Blue-chips: 11%
Gold 34-day MA: 295

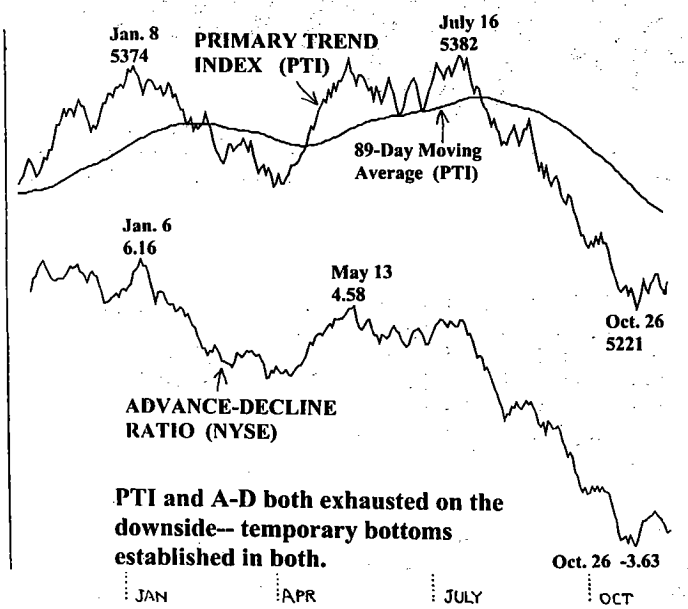
Transports: The Industrials are subject to a large number of variables, not the least of which is the sheer glamour and excitement associated with such groups as the techs, the internets stocks, the pharmaceuticals, etc. In contrast, the Transports are really a cut and dry group -- no glamour there, just the economic facts -- are the Transports moving the goods and are they moving travelers, or not? For this reason, when the Transports lag or diverge they always have me wondering whether they are discounting a forthcoming slowdown in the economy -- perhaps even a recession in the period ahead.

Masking the poor action of the Transports and the advance-decline ratio are the tech stocks and the Internet stocks, both of which have had investors and speculators in a veritable frenzy. These stocks do not trade off earnings as much as they trade off of the enormous optimism that has swept the nation set off by the wonders of the Internet and the performance of such stocks as Cisco and Qualcomm.

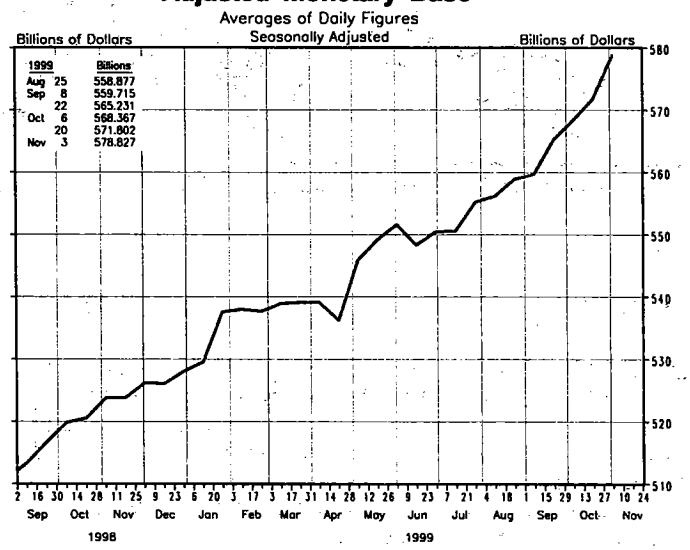
The **30-year Treasury Bond** may have bottomed. The Dec. bond futures have rallied above their 34-day moving average, but, so far, have not yet been able to better a preceding peak. The preceding peak on the Dec. T-bond is 115 12/32nds. That's the target.

THE FED: If you want to know what's going on in this market, you have to realize **what the Fed is doing -- in contrast with what the Fed is saying.** I don't know why analysts have abandoned any mention of the money supply, but certainly that's been the case (20 years ago brokers would line up Friday in front of the Reuters ticker, eagerly waiting for the latest weekly statistics on the money supply). Today few people are aware of what's happening to the money supply, which is probably the way the Fed wants it.

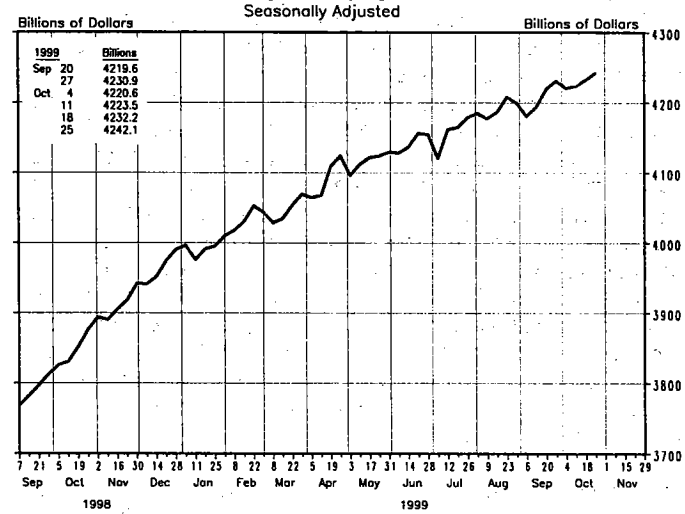
What Greenspan is trying to engineer is a "bloodless halt" to the stock market's rise. It would be a halt brought on by Greenspan's warnings, but at the same time it would be a halt in the market protected by a surging money supply. The evidence is there, charted for us weekly by the St. Louis Federal Reserve. Here we see the adjusted monetary base rising since January '99 at an annualized rate of 10.3%. More recently, the rate has been accelerating. Since late-July the adjusted monetary base has been rising at an **explosive 15.9% rate.**



Adjusted Monetary Base



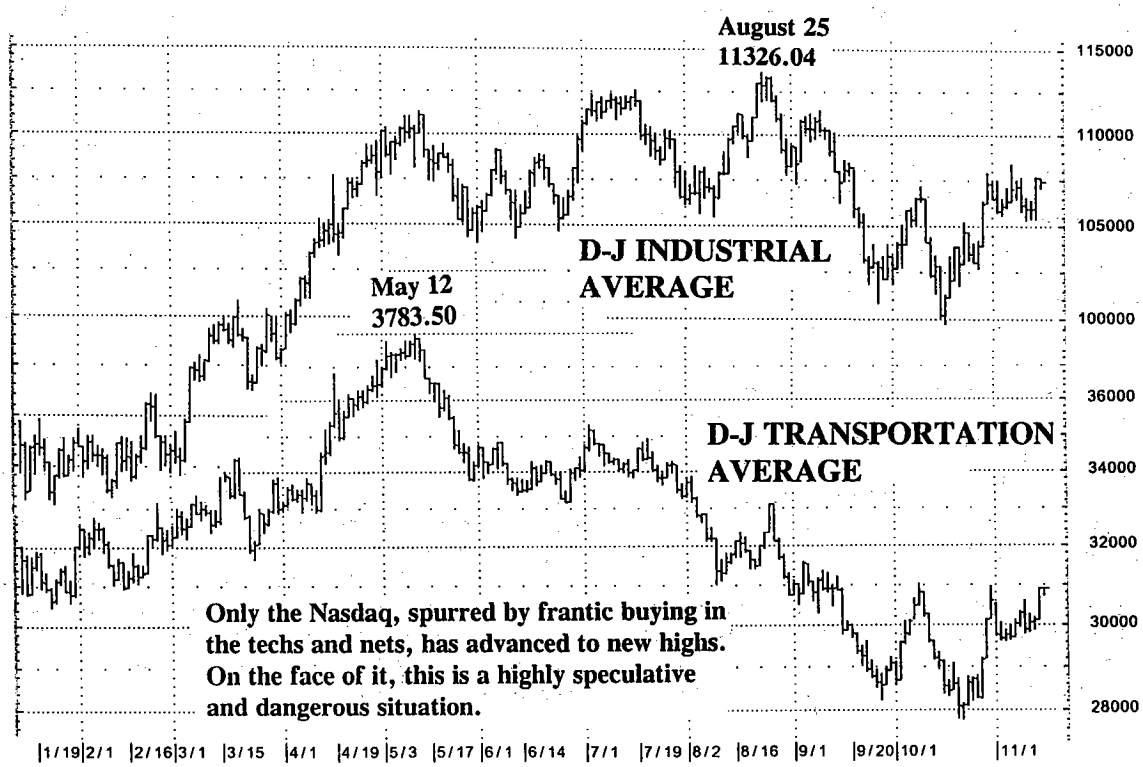
Money Zero Maturity (MZM)



I do think that part of the reason for the explosion in the money supply is that the Fed is very seriously worried about Y2K. The Fed wants an ocean of money to stand against any shock from Y2K, and believe me, we are dealing with an ocean of money, a virtual monetary flood.

Thus Greenspan continues to issue warnings about "risk" and "sharp reversals of confidence that happen abruptly"-- but at the same time pouring more and more fuel on the fire. Nobody's writing about it, nobody seems to be noticing it -- but it's happening. And it's probably the main reasons why stocks remain at their most overvalued levels in Wall Street history.

Conclusion: My "take" on the market remains the same. It looks to me as though the stock market could bounce around in a trading range (with action continuing in techs



and nets) until the end of the year. Many sophisticated traders believe that the public is holding off **until after the first** of the year before buying, wanting to get Y2K out of the way before buying. On that basis, the sophisticates are buying now instead of "waiting until after the first." After the first, these early buyers will be looking to sell. Which is why January promises to be a fascinating month.

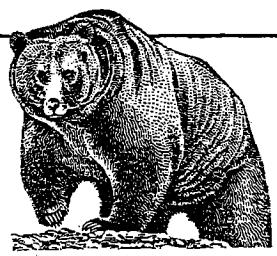
Question: Is it still a bear market if the Nasdaq goes to a new high (which it did) and even if the S&P rallies to a new high without the Dow and the Transports?

Answer: This would be (and some ways it already is) a situation which I have never dealt with before. To complicate matters, the addition of four new Dow stocks brings up the question of whether the previous Dow high numbers are still valid.

In the face of these extraordinary variables, I'm going to have to "wing it." It's obviously still a bull market in tech and Internet stocks. But for the great majority of stocks, we remain in a bear market. **Incredibly, as this is written, the advance-decline ratio is now less than one point from its October bear market low (see page 2 chart).** So I'm going to stay with a classical interpretation of the "market" as identified under Dow Theory.

I have to wonder how long the tech and Internet stocks can continue to climb, generating valuations that are so high that they are beyond any known method of analysis. The rise of these two groups has become a mania, and their price patterns have now taken the form of parabolic rises. Parabolas are built on feverish speculation, crowd participation and new era thinking. They are the stock market's version of rockets -- but rockets burn out and come fluttering back to earth in the form of burned corpses.

INVESTMENT POSITION: Although he's pushed in the background by a parade of confusing movements, the bear remains in the box. And yes, this is a bear market.



Pitted against the bear are **three powerful forces: (1)** The Fed, which continues to expand the money supply at a furious rate. **(2)** The huge bullish sentiment that continues to be concentrated in the tech and even more specifically, the Internet stocks. **(3)** The international money flows, which are still pointed strongly towards the US. In view of these three, it's amazing that neither the Dow nor the S&P are at new highs.

With money funneling into fewer and fewer issues, this becomes a very easy market to lose money in. In a primary bull market, the idea is to make money. In a primary bear market, the idea is to avoid losing money. My opinion is that if you try to make money by buying the "right stocks" in a bear market, you're probably on your way to many sleepless nights. Which is one reason why I advocate "playing it very safe" here. How do we play it safe? From a global standpoint, you must be in both the right security and in the right currency. That's extremely difficult, and most investors can't do it. From a domestic standpoint, to play it safe you should be in T-bills or T-notes, while exercising a lot of patience, which is the position I advocate.

HOW I STARTED: A few months ago my very first subscriber, John Harrington, died. John was 83, a fine God-fearing man and an ardent Catholic. John had worked for S&P for many years -- he died while still working at S&P. God bless you, John, by a simple act, you changed my life.

Back in the early '50s I was obsessed, as I still am, with the stock market. I had spent many months at the great New York Public Library studying everything I could get my hands on that pertained to Wall Street. By luck (or the process of elimination) I came across a loose-leaf volume that fascinated me; it was the collected works of the great Dow Theorist, Robert Rhea. I spent two years reading and re-reading and absorbing everything that Rhea ever wrote. I was so steeped in Rhea that for a while I began to believe that I was the re-incarnation of Rhea himself (Rhea had died in 1939).

I spent the middle-'50s talking, dreaming, thinking Dow Theory. Finally a few of my friends (maybe out of pity) asked me to send them some notes on the stock market based on my interpretation of Dow Theory. I purchased a little gelatin-printer (there was such a thing), and each week I would send out a crude three-page report on the stock market as I saw it. A few people actually liked the report, which I called *Dow Theory Letters*. After a few months I started receiving requests from strangers, friends of friends -- requests to receive the Dow Theory notes. Next, I took a daring step -- I decided to charge $15 a year for my reports. By 1958, I had about 40 of what I called my "subscribers."

The stock market had topped out during July 1957 and a severe recession had set in. The public had turned black bearish, and the talk was that the "long-expected post-War depression" was about to begin. I disagreed; I was increasingly convinced that what we were seeing was a vicious correction preparatory to the next major stock market advance. I was further convinced that the next advance would correspond with the third or final phase of the bull market, a bull market that had started in mid-1949. I reasoned that since 1949 we had never experienced a great, speculative third phase of the bull market And that phase, I was convinced, was the phase that lay ahead.

As the market continued down in September and into October of 1957, I became wildly bullish, and I decided to try to build up my *Dow Theory Letters* by advertising it in a newspaper. I went down to the *NY Times,* and placed an ad for my *Letters*; the little ad offered a three-issue trial for one dollar or a full year of *Dow Theory Letters* for $30. As I remember, that ad cost me a big ninety dollars. Connie, my wife at the time, worked at the *Times,* so I was very familiar with the paper (I used to have lunch at the *Times* cafeteria every day).

A week, ten days, passed and the only return I received from my ninety-dollar ad was a penny post card from a fellow named John Harrington. He didn't send a dollar, but he asked if I would send him a copy of the Letter. I was disgusted; this guy hadn't even sent a dollar. I threw the card in the waste basket.

Connie picked the card out of the basket and said, "No, at least one person has shown some interest. Why don't you send him a sample letter?" I shrugged and figured, "What the hell." I put a sample report in the mail.

About a week later, I got a call from John Harrington. He told me that he really liked the Letter and that instead of becoming discouraged and giving up, he thought I should continue writing. He told me to be patient and that talent would out. Between Connie and John Harrington, I was well, very mildly encouraged.

I continued to send the Letter to my 40 subscribers, but then another idea began to stir in my brain. Despite the recession and the black bearishness that had overtaken Wall Street, I was increasingly convinced that a great bull market third phase surge lay ahead. I decided that I'd try to write an article about my ideas or analysis for *Barron's*.

I made an appointment with Bob Bleiberg, the late, great editor of *Barron's*. Bob was a brilliant, open-minded guy. He was interested in my story. Moreover, he was very familiar with the history of *Barron's* as being the home of the Dow Theory and he wanted to get back to Dow Theory again. However, he told me that because the 1929-32 market collapse had made a fool of so many analysts, Dow Jones had become extremely skeptical of about anything having to do with stock market forecasts. Bob told me to write my article and that if he liked it he would show it to the "powers" at Dow Jones -- and if they said OK, he would print it.

A week later Bob told me the article was approved and that it would be in the next issue of *Barron's*. I was thrilled. The article was entitled, "Dow Theory Revisited" (Dec. 1, 1958), and sure enough, on Monday morning there it was -- in print. I had placed a little ad in Barron's offering *Dow Theory Letters* for $30 annually (36 issues a year). Later Bob told me that the article had aroused the most interest of anything that had appeared in *Barron's* in recent years. There I was, an unknown writer, predicting a great bull market advance just ahead.

Within two weeks I received 300 subscriptions at $30 a piece. I was flabbergasted: overnight I was in business. That was the turning point. My business built up steadily from there. And over the next 35 years, I wrote about 30 additional articles for *Barron's*. For the 41 years that I've been writing *Dow Theory Letters,* I've never had a poor year, and I've always made a good living from the *Letters*.

But if it had not been for John Harrington and Constance, I probably would be doing something else. What else? Who knows? My old buddy, Aaron Russo (a Hollywood producer), tells me that I'm a good writer, and for years Aaron has asked me to write a screenplay for him. I don't have the energy to do that but maybe, if I hadn't been so obsessed with the stock market, I might have ended up as a writer in Hollywood. But that, that's another story, one that never materialized (maybe in another life, but not in this one).

From a funny little mechanical gelatin printer to the Internet, it's been an amazing journey. And you know you've been around a while when you get subscriptions from men and women who write, "My father used to get your letters back in the '60s. He always asked me to read them. I'm on my own now, and . . . ."

NOTES & QUOTES: I received a memo from the Investment Company Institute which informs me that an estimated 49.2 million US households or 48.2%, own equities either in mutual funds or individually. "Equity owners are seasoned investors with long-term investment goals," said Mathew Fink, president of the Investment Co. Inst. "Wall Street has come to Main Street," said Marc Lackritz, president of the Securities Industry Assoc., "Nearly one in two households own equities today, and the vast majority of these investors have a 'buy-and-hold' investment strategy." **Russell Comment:** From the standpoint of a bull during a bull market, this is a proud and remarkable accomplishment. From the standpoint of a bear, this represents the greatest stock distribution in history, and it sets the background for a bear market of monumental proportions.

Meanwhile, the US spending boom goes on, aided tremendously by the willingness of our foreign friends to take in US dollars (and by the way, the dollar is still very strong). Actually, the US is taking in $300 billion a year to finance its phenomenal spending boom, and next year the total could be even larger. The US boom of the '90s has been financed with debt, mountains of debt. Corporations have issued huge amounts of debt (some to buy back their own shares). Consumers are in debt up to their eyeballs. All this is based on the thesis of prosperity that will continue as far as the eye can see. Furthermore, confidence has been built not only via the sky-high stock market but probably even more via the huge increase in the price of housing (67% of US families now own their own homes and Freddie Mac has placed full-page ads in major newspapers saying that 67% "is not good enough").

Two weeks ago Greenspan made the "remarkable" observation that rising home prices have exerted an even greater stimulus for spending than rising stock prices. Said the Green man, every $1 in stock market wealth lifts consumer spending by 3 to 4 cents compared with 4 cents in spending for every $1 of real estate gains. **Russell Comment:** In case you haven't noticed, real estate prices have been surging (as have rents).

Greenspan: Rising home values boost spending

By Sara Nathan
USA TODAY

Federal Reserve Chairman Alan Greenspan shifted his focus from stocks to the real estate market Tuesday, saying rising home prices have a greater impact on robust consumer spending. In a speech to community bankers, Greenspan said every $1 in stock market wealth lifts consumer spending by 3 to 4 cents, compared with 4 cents in spending added for every $1 of real estate gains.

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Kate Welling (*Welling@Weeden*) reports an astounding statistic: "A mere 11 of the S&P 500 stocks accounted for all its performance in the year's first nine months." **Russell Comment:** This is the most lopsided market I've seen in 45 years of watching markets. Never has a breadth collapse of this magnitude been offset by major averages and indices that remain near their highs. Never have so many stocks declined in the face of a public that remains essentially optimistic and bullish.

And there's an equally amazing story on the Nasdaq. Only 65 stocks have been responsible for 99% of the 1999 rise in the Nasdaq Composite -- the latter consists of 4,845 stocks. In other words, 65 stocks or **1.3%** of the Nasdaq stocks have accounted for literally the entire rise in the Composite.

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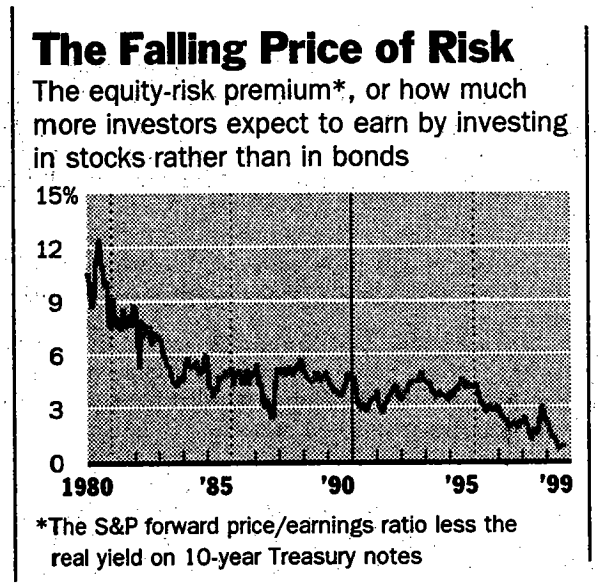
This chart from the Nov. 1 *WSJ* shows the extraordinary rise in confidence exhibited by this market. Here we see the risk premium dropping almost to zero meaning that today's investors see stocks are literally no more risky than ten-year Treasury notes. A 10-year T-note possesses only one risk, and that is the risk of inflation, since at the end of 10 years the US government guarantees that you'll get your principal back. A study (story in *Fortune*, August 16, 1999) shows that when price/earnings ratios for the S&P are 22 or higher (they are over 30 today) the median return for stocks over the next 10 years was 5%. So according to these statistics, over the next 10 years stocks should not do as well as 10-year notes. Nevertheless, stockholders remain wildly bullish.



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If you don't subscribe to *Fortune* magazine, I suggest that you shell out $4.95 and buy the November 22 issue. There is an outstanding article by Warren Buffett entitled, "Mr. Buffett on the Stock Market." The article is literally an education. He starts out with an interesting comparison. The D-J Industrial Average on December 31, 1964 was 874.12. The D-J Industrial Average on December 31, 1981 was 875.00. Another observation -- the auto has an incredible impact on people's lives. In all, is appears there have been at least 2,000 different car makers. We are now down to three in the US. Next -- travel by air has had a huge impact on the world. Over the years there have been at least 129 different airlines. The money that has been made by "all of this country's airlines was zero, absolute zero." **Russell Comment:** Buffett doesn't mention the Internet in this piece, but the implications are clear. It's obvious that the Internet will change the world as we know it. It's a lot less obvious whether at this early stage we can pick the stocks or stock that will prosper on the net over the years. This is why Buffett sticks to insurance, soft drinks and razor blades for his investments. He knows that come hell or high water, people will be buying insurance, drinking Coke and that men will be shaving -- for as far as the eye can see.

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In a recent poll run by the Consumer's Federation of America, a majority of low and moderate income Americans assume that they are more likely to attain financial security by winning the lottery than by saving or investing. The poll also shows that a majority of Americans overestimated by as much as 25 times the typical level of household assets and wealth. Meanwhile, despite a booming economy, the typical American household spends too much and saves too little, leaving it vulnerable to a serious financial crisis, according to a related survey run by the CFA and the Primerica Fund. The median US household has less than $1,000 in assets and $35,000 in net worth, most of which is invested in a home, the study found.

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The Presidential race has become a popularity race. The issues are now so confused that the public will be voting strictly on who they like. Is Al Gore too wooden? What does George W. Bush really stand for? Is Bradley non-political enough? Is McCain too angry? Is Buchanan a closet Nazi or maybe just a nut? Is Donald Trump on a monumental ego trip? Is Ventura too wild and crazy to be President? Does anyone know what the issues are about? Then there's Hillary, who on the Iowa money polls is trailing Giuliani. You either love her or hate her. But if Hillary is afraid of losing, she'll probably drop out of the race. Actually, Hillary's still "exploring" the situation. . . . The rise of the Reform Party is interesting. The fact that it's being taken seriously shows the American public's disgust or at least disinterest in the candidates. As Andy Rooney put it, "There's a year to go before the election, and we're already sick of them all."

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Is the US and the Internet becoming one vast auction house? Now running auctions are AOL, EBAY, YAHOO, AMZN, Disney/Infoseek's GO, plus many smaller net outfits.

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The London *Economist* magazine (arguably the most respected financial magazine in the world) insists that the stock market is extremely overvalued. The following from their October 23 issue: "Standard measures of stock market valuation tend, as ever, to come up with wildly different estimates of Wall Street's current 'fair value', but almost all concur on one point: the stock market is significantly overvalued. A recent study by Phillips & Drew, a fund manager, considers three valuation measures for the S&P. The first is the ratio of the stock market value of non-financial companies to their net worth. This measure suggest that share prices need to fall by 48% to bring them back to a 'fair value'. A second measure, based on the price/earnings ratio, suggest that prices need to fall by 54%. And a third, the dividend yield, points to a fall of 63%. Taking an average of these three measures, Wall Street might be said to be more than 50% overvalued today; on the eve of the 1987 crash, it was 25% too high. Other studies have suggested that Wall Street is more overvalued today than it was on the eve of the 1929 crash.

"The built-in forces that drive the business cycle -- the sub-cycles of profits, inventories, investment and credit -- are still there in the numbers, masked though they may be by the unusual convergence of circumstances seen in the late 1990s. America did not abolish the business cycle in the 1920s or 1960s, nor did Japan in the 1980s, though many were certain of the fact on all three occasions. A downturn will come. The question is when, not whether." **Russell Comment:** So speaks the mighty *Economist*.

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All along I've been skeptical of the profit-capabilities of the Internet companies and particularly the smaller companies. A front page article in the November 2 *NY Times* outlines the situation with many web companies. They are spending their heads off trying to capture "eyeballs" and trying to establish a brand name. The *Times* points to Send.com, which is spending $20 million on TV advertising, this compared with Amazon.com, which is said to have spent

$17 million during 1998. Writes the *Times,* "For tiny Send.com, which has no profits and negligible revenue, it is stunningly audacious. . . . Convinced that this Christmas season will be make-or-break, e-retailers are in a costly race to bring their names to consumers through TV advertising. There is little evidence that such exposure in a crowded market will prove to be a cost-efficient way to attract new customers. . . . A lot of e-retailers have sold their souls to the TV networks. . . . As more Internet companies feel the need to match their competitors' presence on TV, the cost of being a noticeable player spirals upward. 'The price of entry for an annual plan might be $40 to $50 million a year -- $8 to $10 million a quarter. . . . To put this in perspective, an established retailer typically spends 3 to 4 percent of its revenue on advertising. . . . Of course, the feeding frenzy has been a boon to old media concerns that Internet companies tend to mock as dinosaurs. Newspaper, magazines and radio stations have all seen a generous flood of media dollars." **Russell Comment:** What we're seeing here is a form of financial madness. These Internet companies, most without profits, are spending money they brought in via outlandish IPO prices. I expect that within a few years the great majority of the medium-sized to smaller net companies will be history, just another chapter in the history of human folly.

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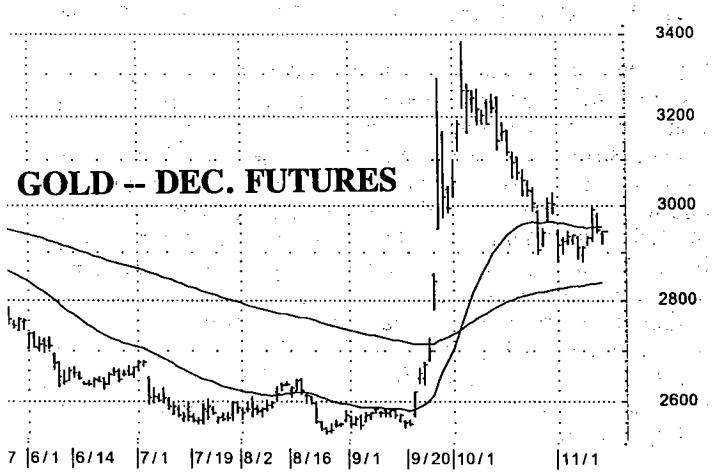
A new book is out entitled "The Internet Bubble," by Anthony and Michael Perkins. The authors state that with few exceptions, the 133 net stocks in their portfolio are overvalued. They further state that their portfolio of Internet stocks had a market value last spring of $410 billion based on sales of $15.2 billion, and those sales produced losses of $3.2 billion. In fact, only 16.5% of the companies in the portfolio showed any profits at all. But the net companies claim that all is well, and that they will simply "grow" their revenues to justify their high valuations. The authors say that it would take a revenue growth rate of 80% a year for the next five years to do that. But nobody mentions the word "profits" in this argument. The authors conclude, "A survival of the fittest game will play itself out, and most of the Internet companies that have gone public will either merge with other companies, go completely out of business, or flounder in the world of the living dead."

GOLD has been a real teaser. Note on the chart that the 34-day moving average is still well above the longer 144-day MA. On November 10, Dec. gold surged above its 34-day MA. When this happens, and the 34-day MA is above the 144-MA, I get a bull signal. Which is what I got on November 10.

Then, on November 12, gold dropped back below its 34-day MA. I believe that as long as Dec. gold holds above 291 the bullish trend will remain in force, although it would have been a much happier situation if gold had held above its 34-day MA. A further bullish signal would occur if Dec. gold can close above 300.

Pretty much the same can be said of XAU, the Gold/Silver Average. XAU surged above its 34-day MA on November 10, but, on the 12th, XAU sunk back below its MA again. The 34-day MA for XAU is at 71.60, and any rally above the figure would be bullish. A close above 72.20 (above the last little peak) would be strongly bullish for the gold shares.



LATE NOTES: I've been asked this question many times recently. **Question:** Russell, you say this is a bear market according to Dow Theory. But business is great, productivity is great, the US is the world's undisputed lone super-power. The dollar is strong. Under these conditions, how can we possibly have a bear market?

Answer: There's no question about it, business conditions are excellent, just outstanding. But at some point the market always discounts the BEST THAT CAN BE SEEN AHEAD. At that point, a bear market begins. It may take weeks, months, many months for the bear to reveal himself in full, but this often subtle change is what the Dow Theory (and my PTI) are supposed to identify.

It all reminds me of a story that I heard in 1960. It was told to me by the then top steel analyst in the nation. Here's his story. An investor called the president of Republic Steel in late-1959 to ask him about the outlook for steel. The president answered, "The steel business is phenomenal. In all the years that I've been in the steel business, I've never seen anything like the current situation. Frankly, in my opinion, it just can't get any better."

That's all the investor had to hear. He replied, "If it can't get any better -- I'm out." The investor sold all his steels that day, and that day proved to be three days from the top. The steel industry topped out at that time and has never come back.

Conclusion: A bull market begins to die when the smartest investors in the nation realize that business has reached the point where "it can't get any better." When it can't get any better, there's only one thing that can happen -- it will get worse -- but **that may take time.** It's that period between when it can't get any better and when it starts to get worse that is so difficult. That's the period that we are in now, and that's why this period has been so difficult to analyze and understand.

The figures for last week were so poor that when I saw them I did a double-take. For the week ending November 12 there were 1547 advances and 1899 declines. There were 186 new highs and 341 new lows. Those are abysmally rotten statistics for a week when the Dow and the Transports both ended higher (although the Utilities were down). The techs and particularly the Internet stocks are in a **fantasy world** of their own. . . . Don't miss the "No Inflation" article on page 58 of this week's *Barron's.*

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